



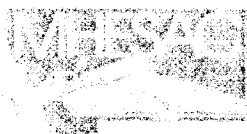
THE FACTS ABOUT MONTANA HIGHER EDUCATION STUDENT ASSISTANCE CORPORATION

EXHIBIT 0
DATE 2.14.01
HB 578

THE MHESAC AND STUDENT ASSISTANCE FOUNDATION RELATIONSHIP

What are the business activities of
MHESAC and SAF?

- MHESAC issues tax-exempt and taxable bonds, acquires and originates Montana student loans, acquires non-Montana loans and provides borrower benefit programs for Montana students from its financings.
- SAF manages MHESAC's day-to-day activities and provides student loan servicing to MHESAC and other entities. SAF also originates, acquires and warehouses non-Montana student loans for eventual sale to MHESAC. SAF provides numerous public benefit programs designed to enhance college access for Montanans. The revenue of SAF's business activities supports these programs. The programs include Acce\$\$ Grants, MCIS on the Internet and education outreach offices on several campuses across Montana.



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WHAT IS MHESAC?

The Montana Higher Education Student Assistance Corporation (MHESAC) is a nonprofit organization dedicated to helping Montana citizens gain financial access to postsecondary education opportunities. MHESAC does this by ensuring access to student loans and lowering the cost of financing postsecondary education. MHESAC receives no funding from the state. To date, MHESAC has helped more than 110,000 Montana students pursue their dreams of postsecondary education.

CORPORATE FACTS

- Founded in 1980 as a 501(c)(3) nonprofit corporation.
- Organized under Section 150(d) of the U.S. Tax Code, which requires MHESAC to operate exclusively for the purpose of acquiring student loans.
- Provides \$125 million per year in capital to Montana lending partners for low-cost Federal Stafford and PLUS education loans.
- Lowers the cost of repaying student loans for Montana borrowers by reducing interest rates, providing principal reductions on student loans and eliminating up-front student loan costs.
- Pays the origination and default fees on every Stafford student loan for its Montana lending partners, which lowers the cost of loans to Montana students by 3 percent.
- Provides student loan consolidation in Montana - \$183 million in FY2006.
- Holds more than \$1.3 billion in Federal Family Education Loans.
- In 2000, began acquiring loans in the national student loan market. Uses the surplus from this business line to enhance MHESAC's programs and generate additional borrower benefits for Montana students.
- Governed by a seven-member board of directors.

MHESAC Q&A

To what extent is MHESAC an entity of the state of Montana?

MHESAC is a nonprofit corporation organized in 1980 pursuant to the Montana Nonprofit Corporations Act and in compliance with the provisions of Section 150(d) of the Internal Revenue Code. It is not a public corporation or a governmental unit. MHESAC has full powers granted to any Montana nonprofit corporation. Because MHESAC is a 150(d) corporation, upon its liquidation, its net assets revert to the federal government. MHESAC was not created under any legislative act.

MHESAC is designated a Montana nonprofit corporation eligible to use federal, private activity volume cap for the purpose of issuing tax-exempt student loan bonds for Montana citizens. Montana law states MHESAC is considered a state issuer only for purposes of eligibility to receive allocations of volume cap.

How do MHESAC's programs benefit Montanans?

MHESAC provides tax-exempt funded student loan capital that allows Montana students and their parents to finance their postsecondary education endeavors. In FY 2006, more than \$125 million in capital was provided in Montana through MHESAC and its numerous Montana lending partners. The capital MHESAC provides for student loan consolidation allows Montana borrowers to effectively manage the repayment of their student loans by providing longer payback periods and low, fixed interest rates. In FY 2006, more than \$180 million in student loan consolidation capital was provided in Montana by MHESAC.

A significant portion of the earnings generated by MHESAC's tax-exempt funded loans are returned to students in the form of borrower benefits. These benefits include payment of up-front loan fees, principal reductions, outstanding loans and interest rate reductions. MHESAC's Montana borrower benefits are superior to others offered in Montana and are among the best in the country. Since 1996, more than \$28 million in borrower benefits have been delivered to Montanans. Current projections show more than \$50 million will be available for Montana borrower benefits over the next 10 years.

Why was MHESAC created as an entity separate from the state government?

This structure is one of the numerous, significant steps MHESAC has taken to ensure the state has no liability whatsoever for the bonds that MHESAC issues to finance its activities.

How is MHESAC governed?

MHESAC is governed by a seven-member board of directors. All members are appointed by the chair of the Board of Regents. MHESAC board members and corporate officers have a wide range of experience and knowledge, including higher education, financial aid, student loans, student issues, ranching, business management, banking, finance and investment banking.

How is MHESAC funded?

MHESAC's activities are funded solely from the revenue produced by its student loans and related financings.

How is MHESAC's business managed?

MHESAC has no employees. MHESAC's day-to-day activities are accomplished by a management contract with Student Assistance Foundation (SAF). SAF's president/CEO has more than 23 years of student loan business management experience. Other members of SAF's executive team have numerous years of banking, business management, student loan management and student loan servicing experience.

MHESAC has frequent board meetings; produces annual reports of its activities; provides investor information on its Web site; provides an official disclosure document for each of its financings; files annual, continuing disclosure statements with the Municipal Securities Rulemaking Board; receives ratings of AAA on 90 percent of its debt and A ratings on the remainder from three rating agencies; and is subject to numerous, extensive and thorough financial, performance and compliance audits. It is also reviewed by its oversight agencies - Montana Guaranteed Student Loan Program (MGSLP) and the U. S. Department of Education. In developing its public benefit programs, MHESAC works closely with the Montana Board of Regents, MGSLP, university system schools, private Montana colleges, tribal colleges and the financial aid community.

Why did MHESAC choose to expand its services outside of Montana?

MHESAC decided to provide student loan services outside of Montana to enhance its long-term financial success. This non-Montana activity, which is funded by the issuance of taxable debt, allows MHESAC to obtain better overall economic efficiencies. Surpluses will be used to invest in future, enhanced student loan delivery services and borrower benefits for Montanans.

Montana Higher Education Student Assistance Corporation

Benefit Dollars Delivered to Montana Students

Calendar Year	PayLe\$\$		\$swiftstart		Incentives			Total	
	Borrowers who received rebate	Rebate amount delivered	Borrowers who received rebate	Rebate amount Delivered	Borrowers who received rebate	Special "one- time" rebates	Ongoing 1% annual rebates	Borrowers who received rebate	Rebate amount delivered
1996	3	\$156	N/A	N/A	N/A	N/A	N/A	3	\$156
1997	686	\$45,997	N/A	N/A	N/A	N/A	N/A	686	\$45,997
1998	1,528	\$98,074	N/A	N/A	N/A	N/A	N/A	1,528	\$98,074
1999	2,670	\$171,901	N/A	N/A	N/A	N/A	N/A	2,670	\$171,901
2000	4,201	\$268,879	1,044	\$714,849	12,905	\$5,515,403	\$0	18,150	\$6,499,131
2001	5,867	\$402,290	1,595	\$1,065,615	6,610	\$0	\$291,063	14,072	\$1,758,968
2002	6,888	\$464,281	3,667	\$2,142,853	7,945	\$4,395,639	\$215,209	18,500	\$7,217,982
2003	6,456	\$398,863	2,428	\$2,252,224	7,285	\$3,569,995	\$146,831	16,169	\$6,367,913
2004	6,595	\$351,070	3,382	\$2,438,491	3,934	0	\$63,538	13,911	\$2,853,099
2005	7,151	\$381,868	3,179	\$2,295,813	1,241	0	\$42,718	11,571	\$2,720,399
As of 6/30/06	7,657	\$388,696	1,380	\$486,659	717	0	\$26,504	9,754	\$901,859
Total Rebates Delivered	22,592	\$2,972,075	16,675	\$11,396,504	12,905	\$13,481,037	\$785,863	52,172	\$28,635,479

PayLe\$\$

The PayLe\$\$ program was established in 1995 as MHESAC's first rebate program. It includes certain loans disbursed to Montana students from July 1, 1995 to the present. A borrower can receive a PayLe\$\$ loan simply by borrowing from one of 40+ participating Montana banks and credit unions. These loans are then purchased by MHESAC. Borrowers who have a PayLe\$\$ loan are eligible to receive an annual 1% reduction to their PayLe\$\$ loan principal balance as of December 31 each year if their PayLe\$\$ loan is in repayment at the end of the year and has remained less than 30 days delinquent for the past 12 months. Qualification for the PayLe\$\$ rebate is annual, meaning that losing eligibility one year does not effect any future year.

Montana Choices

The Montana Choices program was established in March 2006. Through this program, the MHESAC will pay on behalf of the borrower the 2% origination fee and the 1% default fee. In addition, the borrower will receive 0.5% principal reduction after 11 months of consecutive on-time payments, a 1.25% interest rate reduction after 33 months of consecutive on-time payments, and a 0.75% interest rate reduction after 44 months of consecutive on-time payments. An additional 0.25% interest rate reduction is available if the borrower signs up for automated payment processing. Once a borrower qualifies for their interest rate reduction, they retain for the life of their loan.

\$swiftstart

The \$swiftstart rebate program was developed in 1999. Borrowers can choose between an immediate 2% up-front principal reduction or for loans with a certain minimum balance, the borrower can choose a 1% interest rate reduction after making 33 consecutive on-time payments.

Incentives

Historically, the rebates provided by the Incentives program apply to borrowers whose loans were purchased with proceeds from MHESAC's 1993 bond financing. Incentives borrowers receive occasional "one-time" rebates based on dollars available; the first being a 4% principal reduction given in February, 2000. These borrowers also qualify to receive a 1% reduction to the principal balance of their loan each year they are in repayment provided the loan remains less than 30 days delinquent throughout the year. The first annual rebates were given in January, 2001. Qualification for the annual rebate starts fresh each year. MHESAC expects to provide additional rebates under the Incentives program to borrowers in other financings as excess earnings become available.

Montana State Legislature

Exhibit 8

**This is a booklet only the cover
has been scanned to aid you in
your research.**

**The original exhibit is on file at
the Montana Historical Society
and may be viewed there**

**Montana Historical Society
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Scanning by: Susie Hamilton

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